

# DOMA'S GHOST AND COPYRIGHT REVERSIONARY INTERESTS

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## INTRODUCTION

Copyright law typically is not thought of as intertwined with family law.<sup>1</sup> Still, a major theoretical underpinning of copyright's incentive system is that an author is motivated not only by the financial reward she hopes to reap during her life, but also by whatever her family might reap long after her death.<sup>2</sup> And the Supreme Court's highly anticipated decision in *United States v. Windsor*<sup>3</sup> complicates this family-incentive theory by undermining Congress's belief that an author would want her widow to inherit her rights. Instead, it creates a situation in which federal law and state law too often will recognize different heirs.

In *Windsor*, the Supreme Court held that Section 3 of the Defense of Marriage Act (DOMA), which denied federal benefits to same-sex spouses,<sup>4</sup> raised federalism concerns and violated "due process and equal protection principles."<sup>5</sup> The Obama Administration responded two days later by making federal employee benefits available to "all legally married same-sex spouses."<sup>6</sup> But the availability of gay marriage within each state, and the state benefits derived therefrom, did not change. As of this writing, barely a quarter of states—thirteen—allow same-sex couples to marry.<sup>7</sup> These circumstances put the federal Copyright Act's use of state law in

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<sup>1</sup> Indeed, copyright law today is a wholly federal field, 17 U.S.C. § 301 (2012), and family law historically has been "a virtually exclusive province of the States." *Adoptive Couple v. Baby Girl*, No. 12-399, slip op. at 1 (U.S. June 25, 2013) (Thomas, J., concurring) (quoting *Sosna v. Iowa*, 419 U.S. 393, 404 (1975)).

<sup>2</sup> See *Eldred v. Ashcroft*, 537 U.S. 186, 207 n.15 (2003).

<sup>3</sup> 133 S. Ct. 2675 (2013).

<sup>4</sup> Pub. L. 104-199, § 3(a), 110 Stat. 2419, 2419 (1996) (codified at 1 U.S.C. § 7 (2012)).

<sup>5</sup> *Windsor*, 133 S. Ct. at 2691, 2693.

<sup>6</sup> Memorandum from Elaine Kaplan, Acting Dir., United States Office of Pers. Mgmt., to Heads of Exec. Dep'ts & Agencies (June 28, 2013), available at <http://www.chcoc.gov/transmittals/TransmittalDetails.aspx?TransmittalID=5700>.

<sup>7</sup> David Crary, *Gay Marriage: In States, a Hodgepodge Lies Ahead*, YAHOO! NEWS (June 29, 2013, 8:19 AM), <http://news.yahoo.com/gay-marriage-states-hodgepodge-lies-ahead-201327666.html>; *Same-Sex Marriage Status in the United States by State*, ABC NEWS, <http://abcnews.go.com/US/fullpage/sex-marriage-sex-marriage-status-united-states-state-16715343> (last visited Sept. 29, 2013) (offering an interactive updated map).

determining reversionary interests on a collision course with its goal of offering clarity as to author incentives and copyright ownership.

Though not as immediately apparent as changes to healthcare benefits or tax-filing status, *Windsor*'s implications for copyright law are significant. Invalidating Section 3 of DOMA means that a same-sex widow could inherit her author wife's copyrights free of federal estate taxes. However, copyright law also dictates statutory heirs on reversionary interests—the renewal right, previously, and the termination right<sup>8</sup>—and here a choice of law conflict frequently will arise. The 1976 Copyright Act defines a widow(er) as “the author’s surviving spouse under the law of the author’s domicile at the time of his or her death.”<sup>9</sup> Because the *Windsor* Court left in place Section 2 of DOMA, which permits states to refuse to recognize a same-sex marriage celebrated in another state,<sup>10</sup> the reversionary interests could skip a same-sex widow(er) and go entirely to the children. Beyond being theoretically incongruous, this disparity undermines author incentives and increases copyright transaction costs. And, with 2013 being the first year in which a termination right could be exercised for works created under the 1976 Copyright Act,<sup>11</sup> courts soon will confront this choice of law problem.

This Essay analyzes *Windsor*'s overlooked copyright implications and argues that Congress should amend the Copyright Act to rely on the law of the state of the marriage's celebration. Doing so would add some consistency to copyright law's family-incentive theory. It also would remove inefficient grants of copyright ownership that fail to motivate authorship because the disposition is contrary to the author's desires. Further, such congressional action would guard against ownership uncertainty that can frustrate copyright policy goals by increasing deadweight loss.

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<sup>8</sup> Works created before 1978 were eligible for an initial term and a renewal term; if the renewal owner failed to exercise that right, the work would fall into the public domain. *See* *Stewart v. Abend*, 495 U.S. 207, 217–19 (1990). Termination is an inalienable right that, regardless of any agreement to the contrary, entitles the author or her statutory heir to take back the copyright after a fixed time of roughly thirty-five years for works created on or after January 1, 1978, and fifty-six years for works created before. *See* 17 U.S.C. §§ 203(a)(3)–(5), 304(c) (2012); *see also* *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 292 (2d Cir. 2002) (holding “that an agreement made subsequent to a work’s creation which retroactively deems it a ‘work for hire’ constitutes an ‘agreement to the contrary’ under § 304(c)(5)” and thus is ineffective).

<sup>9</sup> 17 U.S.C. § 101.

<sup>10</sup> 28 U.S.C. § 1738C (2012).

<sup>11</sup> For most copyright transfers executed on or after January 1, 1978, the earliest vesting termination rights could be effected during a five-year window beginning January 1, 2013. *See* 17 U.S.C. § 203(a)(3).

## I. COPYRIGHT INCENTIVES AND THE FAMILY

Copyright law incorporates what could be considered a traditional notion of the family. It uses state laws to dictate who belongs in an author's family and limits testamentary freedom accordingly. An author's widow(er)—as recognized by the state of the author's death—is a statutory heir, in addition to the author's children, whether offspring or legally adopted.<sup>12</sup> Stepchildren, grandchildren, and “descendants beyond the first degree” are not statutory heirs for the renewal right,<sup>13</sup> but grandchildren are for the termination right.<sup>14</sup> If the author dies during the first copyright term for works registered prior to January 1, 1978, the copyright may be renewed by the widow(er) or the children. For works created on or after January 1, 1978, however, the author's termination right *automatically* descends to the widow(er) *and* the children, each taking a one-half interest; a majority—i.e., the widow(er) and at least one child—must agree to exercise a termination right. The automatic descent of reversionary interests to statutory heirs recognizes Congress's assumption that an author will have greater incentives to create if she knows that her immediate family might profit from her works long after she is gone.<sup>15</sup>

Both the renewal and the termination rights provide the author with another bite at the apple. Specifically, the termination right allows the author to terminate any assignment (except when a “work for hire”), including that of the renewal. In adding legislation on the termination right, Congress sought to protect vulnerable authors from being forced into ill-advised and unremunerative transfers.<sup>16</sup> Termination gives an author, or her family after her death, the chance to recapture a work and possibly capitalize on its commercial success.

Renewal and termination rights are copyright incentives that fuel the “engine of free expression.”<sup>17</sup> Incentives need not be monetary—e.g., reputational or political rewards—but money talks, and copyright's incentive system generally is built upon financial rewards. Because the Constitution authorizes Congress to provide these incentives “to promote

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<sup>12</sup> 17 U.S.C. § 101. Even within the class of statutory heirs, Congress gave authors no testamentary freedom. A spouse can only be divested by divorce, and there is no manner by which to divest children.

<sup>13</sup> WILLIAM F. PATRY, *PATRY ON COPYRIGHT* § 7:17 (2013). Under the 1909 Act, state law also could exclude illegitimate children. *De Sylva v. Ballentine*, 351 U.S. 570, 582 (1956).

<sup>14</sup> 17 U.S.C. §§ 203(a)(2)(A), 304(c)(2)(A).

<sup>15</sup> This assumes that authors are indeed motivated by potential downstream rewards to family; challenging that belief is beyond the scope of this Essay. *But see* *Eldred v. Ashcroft*, 537 U.S. 186, 255 (2003) (Breyer, J., dissenting); Deven R. Desai, *The Life and Death of Copyright*, 2011 WIS. L. REV. 219, 227 (arguing that spouses and children have been used as “props” to advance copyright industry interests).

<sup>16</sup> For a discussion of the legislative history on termination and an example of what Congress was guarding against, see Brad A. Greenberg, Comment, *More Than Just a Formality: Instant Authorship and Copyright's Opt-Out Future in the Digital Age*, 59 UCLA L. REV. 1028, 1060–61 (2012).

<sup>17</sup> *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 558 (1985).

the Progress of Science and useful Arts,”<sup>18</sup> creating private wealth for the author is an ancillary benefit of advancing the public interest.<sup>19</sup> Thus, the efficiency of copyright allocations increases as incentives are better tailored to maximize author production. But the marital-status conflict will lead to inefficiencies in awarding termination rights.<sup>20</sup>

## II. CONFLICT OF LAWS AND COPYRIGHT COSTS

No states permitted same-sex marriage when the 1976 Copyright Act was enacted. DOMA, passed in 1996, ensured that even as states began permitting same-sex marriage approximately ten years ago, there remained a uniform metric for determining a copyright owner’s statutory widow(er). DOMA gave the federal government exclusive authority to define marriage in relation to federal benefits, including copyrights,<sup>21</sup> and effectively superseded the Copyright Act’s reliance on state law. While it is unclear why Congress anchored the Copyright Act’s determination on the “law of the author’s domicile at the time of his or her death,”<sup>22</sup> it is clear that, under DOMA’s blanket rule, the state of reference did not matter.<sup>23</sup>

In *Windsor*’s wake, however, the Copyright Act’s choice of state law creates a conflict in which reversionary interests might not be devised per Congress’s intent for an author who dies in a state that does not recognize same-sex marriages lawfully entered into in another state. Yet because termination rights are offered as author incentives, it makes little sense that the law would devise these rights inconsistent with an author’s desires. Accordingly, the new conflict between state and federal law may remove from a gay or lesbian author an incentive that is available to straight authors. Worse, it may result in a reduction of incentives for a gay or lesbian author who would be discouraged to create if, for instance, she is

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<sup>18</sup> U.S. CONST. art I, § 8, cl. 8. Counterintuitively, *Science* refers to copyrightable original works of authorship and *Arts* refers to patentable inventions.

<sup>19</sup> See, e.g., *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 432 (1984) (quoting *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975)); Greenberg, *supra* note 16, at 1065 (also referencing *Twentieth Century Music Corp. v. Aiken*).

<sup>20</sup> The same would be true for renewal rights if any had yet to vest. However, because renewal rights vest in the final year of the initial copyright term, which under the 1976 Act could be no later than 2005, there remain no renewal rights to devise. See 17 U.S.C. § 304(a) (2012).

<sup>21</sup> And, to be sure, the Copyright Act is not the only federal law with a poorly designed choice of state law provision. See generally William Baude, *Beyond DOMA: Choice of State Law in Federal Statutes*, 64 STAN. L. REV. 1371 (2012) (proposing designs for a federal choice of law system).

<sup>22</sup> 17 U.S.C. § 101. The legislative history does not evince a clear reason, other than “to avoid problems and uncertainties” that arose under the 1909 Act’s renewal provision. H.R. REP. NO. 94-1476, at 125 (1976). It is unsurprising, though, considering that the domicile of death generally governs wills and estates. See, e.g., EUNICE L. ROSS & THOMAS J. REED, *WILL CONTESTS* § 12:1 (2d ed. 2013).

<sup>23</sup> At least, not in regards to an inconsistent recognition of a same-sex spouse. Choice of state law did create consistency between federal law and that of the domicile at death on other differences among states, including consanguinity and age restrictions.

estranged from her children and would not want them to receive the entire termination right.<sup>24</sup>

Additionally, employing the law of the author's domicile at death increases uncertainty about who owns the reversionary interests. This, in turn, increases licensing transaction costs. Imagine an author who marries her wife in Massachusetts and, while living in Boston, writes the next Great American Novel. She and her wife adopt two boys, whom they raise in Florida, which, at the time of her death twenty years later, neither permits nor recognizes same-sex marriage. This scenario adds several costs to a licensee or potential licensee. First, a publisher who buys the book's rights must identify the author's domicile at the time of death and perform some cursory legal research to determine whether the same-sex widow and children must jointly file the termination notice or whether the children could do it alone. Second, a potential licensee of the publisher's book rights could not simply look at a publicly available copyright registration to deduce who could terminate the author's previous assignment to the publisher and thus prevent future exploitation absent a new license. And, third, termination is more likely when the right goes solely to the children and not also to the same-sex spouse, who may disagree with the children about terminating the assignment or license.

By contravening an author's desires and increasing transaction costs, the Copyright Act's choice of state law undermines the copyright-incentive system and adds to its deadweight loss. But this need not be. Congress can amend the Copyright Act to sharpen incentives and remove the additional costs.

### III. A SIMPLE SOLUTION?

Congress cannot remedy this incoherence by removing the choice of state law from the Copyright Act and defaulting to a uniform federal definition of an author's spouse.<sup>25</sup> If Congress amended the Copyright Act to exclude a same-sex widow from taking a reversionary interest, the amendment would appear to violate equal protection principles for the same reasons Section 3 of DOMA did; if the law defined spouses as members of either the same or opposite sex, the law would raise the federalism concerns noted in *Windsor*. But Congress does have two viable alternatives.<sup>26</sup>

The first is to do away with the Copyright Act's restraint on testamentary freedom. Copyright law's designation of statutory heirs is

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<sup>24</sup> Whether that poses a different equal protection question will not be answered here.

<sup>25</sup> This is unlike Congress's ability, as realized in the 1976 Act, to override state laws excluding illegitimate children from the statutory heir class.

<sup>26</sup> Absent congressional action, Will Baude also suggests a third approach to the general choice of law problem: Federal courts could treat a couple as married if their home state does. Baude, *supra* note 21, at 1418–23. Though sensible, this approach would not address the copyright-specific issues raised in this Essay.

atypical among the property and quasi-property fields.<sup>27</sup> It has the effect of “estate-bumping,”<sup>28</sup> which means that it can produce property dispositions contrary to an author’s intent, even when the author executed a will. And, as discussed above, forcing an author’s estate to devise the reversionary interests can remove or even reduce author incentives to create. Moreover, the testamentary limitations only apply to the reversionary interests, making possible a scenario in which an author wills her copyrights to a specific person but is forced to leave to her statutory heirs a reversionary right to divest her will’s beneficiary later. Removing these limitations would improve the efficiency of copyright law’s incentive system and would add some coherence to the law’s theory of the family.

Giving authors such testamentary freedom would, however, resurrect an old problem. Recall Congress’s rationale for adding the termination right in the first place. Before the 1976 Act, publishers frequently forced authors to assign both the initial copyright term and the renewal right, effectively negating any chance for the author or her family to take a second bite. To spare termination the same fate, the 1976 Act prohibits an author from waiving, assigning, or otherwise disclaiming a termination right.<sup>29</sup> It is an inalienable right. If Congress removed statutory heirs from the Copyright Act and gave authors full testamentary freedom over their copyright estates, it would not simply be foreseeable that publishers, studios, record labels, and other content distributors would force all but the most successful authors to assign termination rights; it would be inevitable.<sup>30</sup>

The other option is to craft a better choice of law provision. This could be done numerous ways. I focus here on two.

One approach would be to choose the law of the author’s domicile at the time the work is created. Rather than focusing on where the author resided when she died, the law could look to where the work came to life. This would provide authors with a clearer understanding of their incentives to create and would reduce uncertainty of ownership. The *ex ante* notice to authors would serve copyright law’s constitutional purpose of promoting

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<sup>27</sup> Copyright law’s forced heirship is similar to state laws concerning an omitted spouse or child, except that the statutory heirs cannot be contravened by explicit authorial intent. The inflexible nature of termination’s descent is a consequence of authors asking for such a failsafe to prevent publishers from demanding assignment of the new termination right.

<sup>28</sup> Lee-ford Tritt, *Liberating Estates Law from the Constraints of Copyright*, 38 RUTGERS L.J. 109, 111 (2006).

<sup>29</sup> See *supra* note 8 and accompanying text.

<sup>30</sup> Though alienability of property interests generally has economic benefits, the experience of the 1909 Act’s assignable renewal rights suggests copyright reversionary interests are different. See, e.g., HOUSE COMM. ON THE JUDICIARY, 87TH CONG., 1ST SESSION, COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 53 (Comm. Print 1961). “[P]ermitt[ing] assignments of contingent interests made that benefit largely illusory.” Lydia Pallas Loren, *Renegotiating the Copyright Deal in the Shadow of the “Inalienable” Right to Terminate*, 62 FLA. L. REV. 1329, 1344 (2010).

cultural advancement while limiting attendant restrictions on others' speech. It also would come without expense to the law's internal author protections in the form of the termination right, which can be thought of separately as preserving an incentive. Further, using the domicile of authorship would enable potential licensees to avoid thirty-five years of wondering where the author will die. Instead, they would know immediately whether copyright reversionary interests would pass to the children only or also to a same-sex widow.

But this would not remove the conflict between federal and state laws in many situations.<sup>31</sup> Worse, it could actually increase conflicts. Choosing the state of authorship would freeze in time an author's marital status—possibly long before death and many years before the author marries—and, to avoid raising equal protection concerns, it would have to apply equally to opposite-sex marriages. Such an approach also would inject a new challenge: determining when the work was created. For works completed in more than one sitting, each component part authored in a different state could substantially cloud certainty as to which state's laws would apply.

Instead, the approach that appears best tailored to promoting copyright policy goals is to choose the law of the state in which the marriage was celebrated. If the state of celebration recognizes the author as lawfully married, the Copyright Act would, too. First, this would erase most, if not all, conflicts by directing the Copyright Act to choose a state law that matches the Obama Administration's marital recognition without taking from states the power to determine whether two individuals are married. Second, it would give an author clarity regarding whether a same-sex spouse will receive not only federal-estate-tax-free copyrights, if so bequeathed, but also the copyright reversionary interests. That, in turn, would preserve an incentive that Congress intended authors to have and, at the least, give copyright law a more consistent family-incentive theory. Finally, choosing the state of celebration would accomplish these benefits without jeopardizing author protections.

To be sure, such a choice of law could increase transaction costs by making it even more difficult to determine whether an author was married.<sup>32</sup> It also could result in new conflicts if the federal government moved away from the Obama Administration's "legally married" criteria for federal benefits.<sup>33</sup> However, those costs and conflicts are significantly fewer than those created by choosing the law of the author's domicile at death.

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<sup>31</sup> Indeed, there are authors working outside of California and New York.

<sup>32</sup> Such questions—e.g., What is a lawful marriage?—are numerous. See Baude, *supra* note 21, at 1382–87.

<sup>33</sup> An additional challenge would be federalizing a public-policy exception for foreign marriages that both are contrary to law and exceptionally offensive to common decency. State courts already utilize such an exception to refuse to recognize polygamous marriages or those between extremely

CONCLUSION

The Supreme Court's recent decision in *United States v. Windsor* removed any consistency from the federal Copyright Act's choice of state law in determining reversionary interests. Conflicts too often will arise between federal law, which cannot force a same-sex widow to pay estate taxes on her author wife's copyrights, and the laws of states that refuse to recognize a lawful same-sex marriage, which would bar the same-sex widow from receiving termination rights under the federal Copyright Act. These conflicts, in turn, will reduce author incentives and increase uncertainty of ownership. But Congress can remedy this conflict by choosing the law of the state in which the author's marriage was celebrated, instead of looking to the state of the author's death or where the work was authored.

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closely related individuals. See RUSSELL J. WEINTRAUB, COMMENTARY ON THE CONFLICT OF LAWS 333–36 (6th ed. 2010).